

Economic Report Series¹

Overview of the Privatization Process in Mali

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I. Introduction

It is well known today that public sector is less efficient in goods and services production than private sector. Here in Mali, after some stumbles and delays during the last periods, the privatization process is now, on the whole, on track. However, the challenge was daunting for the country. From a quasi state monopoly until 1988 in almost all the country economic activities, the objective is now to reduce the number of nonbank public enterprises in the Government's portfolio to 18 by the end of March 2002. Non-profitable state enterprise privatization is economically needed to achieve both a balanced national budget and a competitive environment. Privatization also improves individual enterprise performance, which is crucial, particularly in the context of economic integration such as UEMOA or ECOWAS. Moreover, privatization of several Malian non-profitable public enterprises is presently a constraint to the external assistance program through the World Bank/IMF, and is also a requirement for the HIPC (Heavily Indebted Poor Countries) Initiative.

II. Historical Background on the Privatization Process in Mali

Since 1992, the Government of the Republic of Mali (GRM) has made a considerable progress in liberalizing its economy through a vast program of private sector strengthening and openness, and the disengagement of Government from production and commercial activities. The IMF, the World Bank, and other multilateral and bilateral donors including USAID/Mali working with the country have continuously supported all the GRM's effort. The major goal of the program is the privatization, liquidation, or restructuring of several public enterprises.

From a situation of quasi Government monopoly with an omnipresence and omnipotence of the Government in almost all the country economic activities, the public enterprise reforms really began with the program PESAP (Public Enterprises Sectoral Adjustment Program) launched in 1988. From 1988 to 1993, the results produced by these structural reforms in the public enterprise sector were economically encouraging. For example, budgetary deficit decreased from 12.3% of the GDP in 1991 to 9.6% of GDP in 1993.

Over the 1988-95 period, the Government carried out an extensive public enterprise reform program, during which it liquidated 20 enterprises, totally privatized 14, partially privatized 10, and restructured a number of others². There remained 40 public enterprises in the Government's portfolio among them 24 enterprises in which the Government was either the majority or the only shareholder, and 16 enterprises in which it was a minority shareholder.

On April 30, 1998, the Government had completed privatization of three enterprises: CNAR (the company of insurance and reinsurance), EDIM-SA (the printing company), and EMAMA (the maintenance company). There still remained 36 public enterprises in the Government's portfolio with a minority share in 16 of them.

² See the IMF's Document, EBD/96/36, March 21, 1996.

The Government is now committed to completing the reform of the public enterprise sector by end-March 2002. An action plan had been adopted in June 1999 for the period 1999-2002 aimed at reducing the number of nonbank public enterprises in the Government's portfolio from 33 at end-1998 to 18 by end-March 2002. At the same time, the number of public enterprises with state-majority shareholdings had to be reduced from 20 to 10 and 11 enterprises had to be privatized or liquidated in 1999³. Among the enterprises to be privatized or liquidated, the divestiture of the Government's minority shareholdings in SOMACO-SA, MALITAS, SMPC, SEMA-SA has been accomplished in June 1999. In addition, by end-1999, the calls for bids for the privatization of UMPP, Opérations Puits, and AFB should be issued, SONAREM should be restructured or liquidated.

The privatization timetable for 2000-01 should be set forth in the context of action plan. The following four enterprises should be involved: HUICOMA, Hotel de l'Amitié, Air Mali, and SONAM.

Then, by end of March 2002, the units remaining from the Government's portfolio with state-majority shareholdings, should be CMDT, ON, RCFM, OPAM, ONP, PPM, PMU-Mali, ADM, COMANAV, and CESPAS; and with state-minority shareholdings: EDM, SOTELMA, COMATEX-SA, ITEMA, SOMISY-SA, SEMOS-SA, ACI-SA, and SUKALA.

³ See the IMF's Document, EBD/99/90, July 16, 1999.

III. Malian Enterprises with Public Participation

Enterprises	Activities	Capital in millions of CFA	Government's share		End of privatization operation	
			in millions of CFA	%		
Government's objectives end-March 2002						
I. Enterprises with Government's majority shareholdings						
1. BMCD	Bank	1,000.00	1,000.00	100.0	20%	June 1999
2. SMPC	Chemical company	700.00	388.50	55.5	0%	
3. SONATAM	Tobacco company	1,747.70	1,747.70	100.0	0%	
4. UMPP	Pharmaceutics products	2,551.00	2,551.00	100.0	0%	
5. CMDT	Cotton sector	32,500.00	19,500.00	60.0	Remains in the portfolio	Dec. 1999
6. ON	Agricultural development	240.80	240.80	100.0	Remains in the portfolio	
7. EDM	Electricity and water	2,500.00	2,430.00	97.2	<50%	
8. SONAREM	Mining research	11,893.00	11,893.00	100.0	Restruct./liquidation	
9. ADM	Airport management	1,653.00	1,653.00	100.0	Privatiz. of management	Dec. 1999
10. COMANAV	River transportation	1,567.00	1,567.00	100.0	Remains in the portfolio	
11. RCFM	Railways company	2,945.00	2,945.00	100.0	Remains in the portfolio	
12. OPAM	Food management	11,738.00	11,738.00	100.0	Remains in the portfolio	
13. PPM	Pharmaceutics products market	400.00	400.00	100.0	Remains in the portfolio	Dec. 1999
14. ONP	Post office	2,208.10	2,208.10	100.0	Remains in the portfolio	
15. SOTELMA	Telecommunications	8,792.00	8,792.00	100.0	<50%	
16. PMU-Mali	Horse racing	300.00	225.00	75.0	Remains in the portfolio	
17. CESP	Film production	141.90	141.90	100.0	Remains in the portfolio	Dec. 1999
18. SLMTP	Public equipment leasing	292.50	234.00	80.0	Liquidation	
19. ORT	Hotel management	100.0	Liquidation	
20. Hotel de l'Amitié	Hotel	0%	
21. Opération Puits	Well operation	0%	
II. Enterprises with Government's minority shareholdings						
1. BCS-SA	Bank	1,100.00	544.50	49.5	20%	June 1999
2. BDM-SA	Bank	3,000.00	600.00	20.0	20%	
3. BNDA	Bank	8,870.00	3,503.60	39.5	20%	
4. BHM	Bank	1,350.00	202.50	15.0	15%	
5. COMATEX-SA	Textile	1,500.00	300.00	20.0	20%	June 1999
6. ITEMA	Textile	1,500.00	500.00	33.3	20%	
7. HUICOMA	Oil and soap	7,696.30	3,078.50	40.0	0%	
8. SOMACO-SA	Canning	300.00	60.00	20.0	0%	
9. SOMISY-SA	Mining	12.50	2.50	20.0	Remains in the portfolio	June 1999
10. SEMOS-SA	Mining	10,900.00	1,962.00	18.0	Remains in the portfolio	
11. AIR-MALI	Travel company	2,000.00	200.00	10.0	0%	
12. SONAM	Naval equipment	261.80	33.80	12.8	0%	
13. ACI-SA	Real estate	12.50	6.20	50.0	Remains in the portfolio	June 1999
14. SEMA	Equipment company	240.20	28.80	12.0	0%	
15. MALITAS	Travel agency	265.40	75.10	28.3	0%	
16. AFB	Slaughtering	907.00	907.00	100.0	0%	
17. SUKALA	Sugar and alcohol	5,000.00	2,000.00	40.0	20%	
III. Total		128,085.7	83,659.5	65.3		
in percentage of GDP		8.0	5.3			
of which: nonbank enterprises		7.1	4.9			

IV. Privatizations Procedure in Mali

A public administration office called BEP (Bureau des Entreprises Publiques) is in charge of supervising the privatization process in Mali. The following steps are required for any public enterprise privatization:

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| a. | Drafting by the BEP of the terms of reference of the <u>evaluation study</u> of the enterprise to be privatized |
| b. | Approval of the terms of reference by the Ministry in charge of privatization |
| c. | Call for bids for the evaluation study by the BEP |
| d. | Assessment of the applications |
| e. | Selection of the bidder |
| f. | Implementation of the evaluation study |
| g. | Approval of the evaluation report |
| h. | Drafting by the BEP of the <u>bill authorizing the privatization</u> |
| i. | Adoption by the Government of the bill authorizing the privatization |
| j. | Vote on the bill at the National Assembly |
| k. | Promulgation of the privatization Law |
| l. | Selection of the members of the inter-ministerial commission in charge of the privatization procedures |
| m. | Drafting by the BEP of the <u>privatization bid</u> |
| n. | Assessment of the privatization bid by the inter-ministerial commission in charge of the privatization procedures |
| o. | Approval by the Ministry in charge of the privatization procedures of the privatization bid |
| p. | Call for bids for the enterprise buyout |
| q. | Review and assessment of the applications |
| r. | Final selection of the bidder by the Minister in charge of the privatization |
| s. | Finalization of the buyout contract |
| t. | <u>Signature</u> of the buyout contract by the Minister in charge of the privatization and the buyer |
| u. | Finalization by the BEP of the closeout report of the privatization. |
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V. Privatizations Status in Mali

A. Table on the privatization status in Mali

	A. Privatization Step Achieved																				B. Others	
	a.	b.	c.	d.	e.	f.	g.	h.	i.	j.	k.	l.	m.	n.	o.	p.	q.	r.	s.	t.		u.
BMCD																		✓ ⁴				*20%
SMPC																					✓ ⁵	
SONATAM																				✓ ⁶		
UMPP																✓ ⁷						
CMDT																						*60%
ON																						*100%
EDM													✓ ⁸									*20%
SONAREM																						**
ADM													✓									*100
COMANAV	✓																					
RCFM																		✓ ⁹				
OPAM																						*100%
PPM																						*100%
ONP																						*100%
PMU-MALI																						*75%
CESPA																						*100%
SLMTP																						**

⁴ 49.98% of BMCD actions have been sold to a consortium composed of BDM-SA (Banque de développement du Mali) and BMCE (Banque marocaine de commerce extérieur) and the rest of the actions remains in the Government portfolio; in a second step, only 20% of the actions will remain in the Government portfolio.

⁵ SMPC has been sold to CMDT, HUICOMA, and SMPC's workers

⁶ 35% of SONATAM actions have been sold to LAAICO (Société arabe libyenne pour les investissements africains), 10% are anticipated to be sold to national privates and 4%, to workers, while 51% will still belong to the Government; by end-March 2002, SONATAM should be entirely privatized.

⁷ An agreement has been signed with the Chinese company COMPLANT for participation for 51% of UMPP actions; 33% will remain in the Government portfolio and 16% to INPS, PPM, private sector and UMPP workers; by end-March 2002, UMPP should be entirely privatized.

⁸ 60% of EDM actions should be sold to a *majority shareholder* private enterprise, 20% should remain to the Government portfolio, and 20% to local private sector.

⁹ A new company called SETI (Société pour l'exploitation du trafic international) should be established to manage the railways Dakar-Bamako. 40% of SETI actions should be held by the States (20% by the state of Mali and 20% by the state of Senegal), and 60% by a private company called SDB (Société du Dakar-Bamako) of which 29.13% should be held by the Malian and Senegalese private sectors individually, 4.2% by workers in each country railways enterprise, and 33.34% by foreign shareholders.

	A. Privatization Step Achieved																					B. Others
	a.	b.	c.	d.	e.	f.	g.	h.	i.	j.	k.	l.	m.	n.	o.	p.	q.	r.	s.	t.	u.	
SOTELMA													✓									
ORT																						**
Hotel Amitié																				✓ ¹⁰		
Oper. Puits															✓							
BCS-SA																						
BDM-SA																						
BNDA																						
BHM																						
COMATEX																						*20%
ITEMA																						*20%
HUICOMA	✓ ¹¹																					
SOMACO-SA																					✓ ¹²	
SOMISY-SA																						*20%
SEMOS-SA																						*18%
AIR-MALI-SA	✓																					
SONAM	✓																					
ACI-SA																						*50%
SEMA-SA																					✓	
MALITAS																					✓	
AFB																✓						
SUKALA	✓																					*20%

*X%: Enterprise remaining in the State portfolio at end-March 2002 to a limit of X% of its actions

** Enterprise liquidated

¹⁰ Hotel de l'Amitié has been sold to LAFICO-Mali (Libyan Arab Foreign Investment Company) on June 1999, after an agreement with a French Company, former candidate in the privatization process.

¹¹ 60% of HUICOMA actions is owned by CMDT and 40% by the Malian State while 60% of CMDT capital is owned by the Malian State and 40% by the CFT (Compagnie Française des Textiles)

¹² The Switzerland's company called CAM Financing and General Trade SA seems to be presently the most important bidder among candidates from China and Libya to buy SOMACO-SA

B. Specific Details on some Enterprises

The Government in collaboration with the World Bank is preparing a project called Financial Sector Reform, which will concern all the banking sector enterprises, including BCS-SA, BDM-SA, BNDA, BHM, and BMCD. Concerning AFB, after two unsuccessful calls for bids, the Government will no longer follow the whole privatization procedure. It will directly sell AFB to the first private company interested in. ADM will remain in the State portfolio, but its management will be privatized. The Government is still seeking for a manager to concede the managerial responsibility of this enterprise.

For the following enterprises, the finalization of the privatization process can be somewhat delayed. HUICOMA is one of them. As stated earlier, CMDT owns 60% of HUICOMA capital and the Government owns the rest 40%. But, on the other hand, the Government owns 60% of CMDT, which is the major financial supplier of the State, and CFT (Compagnie Française des Textiles) owns 40%. As mentioned above, CMDT is then one of the principal enterprises the Government has decided to maintain in its portfolio after March 2002. HUICOMA likes enjoying presently its monopoly position in animal feed production in the country by determining the price by itself on the national market, and is the sole buyer of a subsidized cottonseed from CMDT. The NFLP (National Federation of Livestock Professionals) is currently lobbying for a cottonseed market liberalization, following a highly increase of the animal feed price of about 67% by HUICOMA on January. But HUICOMA still owes to CMDT a 7 billion CFAF debt.

SONATAM is another enterprise the Government is having some difficulties finding buyers. LAAICO, the Libyan Company, is the only one private firm interested in for the moment with a 35% capital participation, but SONATAM is not currently in a position to attract buyers.

Hotel de l'Amitié belongs to LAFICO-Mali SA (a Libyan Company) since June 1999. Before that, on June 1998, the Government had signed with the Groupe Accor (an important French Company in hotel business) an agreement for a thirty-year concession of the enterprise. Then, a tripartite arrangement between the Government of Mali, the Libyan and the French resulted in a ten-year concession between France and Libya. But since this agreement, no change occurred in Hotel de l'Amitié status.

In addition to these situations, the Government has made a political commitment to fight corruption in the country. The President of the Republic initiated an anticorruption operation few months ago based on different reports of the CGE (Contrôle Général d'Etat) over the 1992-1999 period. From the final report of the *Ad Hoc* Committee the structure set to implement the operation, requisitions and legal proceedings concern several enterprises, among which are SMPC, SOTELMA, OPAM, SONAM, INPS, PPM, EDM, etc. A reason for additional delays of enterprises concerned by privatization process like SMPC, SOTELMA, EDM, SONAM, etc.

In fact, on the other hand, delays in privatization can also be explained by the non fully participation of local population in the process. Because of poverty and/or misinformation and cultural reasons, Malians' participation in the privatization process is quite low. In the majority of cases (if it is not in all the cases), Government expects a large participation of foreign people or companies and for that, an effective and worldwide promotion is at least needed, which is not the case for the country enterprises.

List of Acronyms

ACI	Agence de Cession Immobilière
ADM	Aéroports du Mali
AFB	Abattoir Frigorifique de Bamako
BDM	Banque de Développement du Mali
BHM	Banque de l'Habitat du Mali
BMCD	Banque Malienne de Crédit et de Dépôts
BNDA	Banque Nationale de Développement Agricole
CESPA	Centre de Services de Production Audiovisuelle
CMDT	Compagnie Malienne pour le Développement des Textiles
CNAR	Compagnie Malienne d'Assurance et de Réassurance
COMANAV	Compagnie Malienne de Navigation
COMATEX	Compagnie Malienne des Textiles
EDM	Energie du Mali
EMAMA	Entreprise Malienne de Maintenance
HUICOMA	Huilerie Cotonnière du Mali
ITEMA	Industrie Textile du Mali
MALITAS	Mali Tombouctou Air Service
ON	Office du Niger
ONP	Office National des Postes
OPAM	Office des Produits Agricoles du Mali
ORT	Office des Relais Touristiques
PMU-MALI	Société du Pari Mutuel Urbain-Mali
PPM	Pharmacie Populaire du Mali
RCFM	Régie du Chemin de fer du Mali
SEMA	Société d'Équipement du Mali
SEMOS	Société d'Exploitation des Mines d'Or de Sadiola
SETI	Société d'Exploitation du Trafic International
SLMPT	Société de Location de Matériels de Travaux Publics
SMPC	Société Malienne de Produits Chimiques
SOMACO	Société Malienne de Conserves
SOMISY	Société des Mines de Syama
SONAM	Société Navale Malienne
SONAREM	Société Nationale de Recherche et d'Exploitation Minière
SONATAM	Société Nationale des Tabacs et Allumettes du Mali
SOTELMA	Société des Télécommunications du Mali
SUKALA	Complexe Sucrier du Kala Supérieur
UMPP	Usine Malienne des Produits Pharmaceutiques

VI. Conclusion

By end-March 2002, only the 18 following nonbank enterprises will remain in the Government's portfolio: CMDT, ON, RCFM, OPAM, ONP, PPM, PMU-Mali, ADM, COMANAV, CESP, EDM, SOTELMA, COMATEX-SA, ITEMA, SOMISY-SA, SEMOS-SA, ACI-SA, and SUKALA. On the banking side, the Government in collaboration of the World Bank is drafting a project of financial reform in this sector.

Up to now, Mali has undoubtedly made considerable progress in the privatization process. However, some enterprises still remain headaches in this process. Among these are HUICOMA, SONATAM, Hotel de l'Amitié, and AFB. Also, because of several enterprises being targeted in the corruption investigation that is in line with the Government political commitment to fight corruption, some delays can be expected in the finalization of the privatization process. Additional effort will be then necessary for the country to be able to meet the World Bank/IMF requirements for a sound external support and also to benefit from the HIPC Initiative.

Even though an important number of public enterprises will be privatized by March 2002, some of the remaining enterprises in the Government's portfolio are capital to largely impact the country economic performance. Among these enterprises are, for example, the CMDT or the ON. A particular attention should be paid to the performance of these enterprises. Also and in general, it will be well indicated to think about the reengineering of the remaining enterprises in the Government's portfolio, not necessarily in terms of an integral privatization, but perhaps in terms of a privatization of certain activities or branches of the individual enterprises.